

A nonprofit organization formed for the purpose of arranging group tours for students and faculty of a university to allow them to travel abroad and which has no other activities is not entitled to exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The Internal Revenue Service has been asked whether a nonprofit organization formed for the purpose of promoting and arranging group tours for students and faculty of a university who wish to travel abroad qualifies for exemption from Federal income tax as an educational organization under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization assists in forming groups of persons having a common affiliation with a university and who are interested in chartering transportation for foreign travel. As agent for each group it collects the estimated pro rata share of the charter and administrative costs. The organization arranges for the transportation, pays the carrier, retains a sum to defray its expenses, and returns any balance to the group members. The organization has no other activities.

Section 501(c)(3) of the Code provides for the exemption of organizations that are 'organized and operated exclusively' for educational purposes.

Section 1.501(c)(3)-1(d)(3)(i)(a) of the Income Tax Regulations defines the term 'educational' as the instruction or training of the individual for the purpose of improving or developing his capabilities.

The arranging of group tours is not in itself the instruction or training of the individual for the purpose of improving or developing his capabilities. In view of the organization's stated purpose and activities, it does not qualify for tax exemption under section 501(c)(3) of the Code.